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United States Virgin Islands

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I. General

1. The United States Virgin Islands[1] are located in the eastern part of the Caribbean Sea, approximately 1,000 miles south-east of Miami and 45 miles east of Puerto Rico. The Territory is made up of three main islands (St. Croix, St. John, and St. Thomas) and one small island (Water Island) recently transferred to the jurisdiction of the territorial Government. The capital, Charlotte Amalie, is located on St. Thomas.

2. According to the 1990 census, the population was 101,809, broken down as follows between each island: St. Croix, 50,139; St. Thomas, 48,166; and St. John, 3,504. The population was estimated to be 118,211 in July 1998, and its growth rate was estimated at 1.16 per cent.

3. Immigration into the Territory has declined over the past several decades. Native Virgin Islanders were a minority in the 1980 and 1990 censuses, but were a majority again by 1995, as children of the immigrant population raised the number of native-born. The percentage of residents born outside the United States decreased from 37.7 per cent in 1980 to 33.9 per cent in 1995. Foreign immigrants are mostly from the Eastern Caribbean and the Dominican Republic, while domestic migrants came from Puerto Rico and the mainland United States.

II. Constitutional and political developments

A. General

4. The United States Virgin Islands constitute an organized, unincorporated Territory of the United States of America. The Territory is administered under the authority of the Office of Insular Affairs, a unit of the United States Department of the Interior. Following the adoption of the Organic Act of the Virgin Islands (1936), last revised in 1954, the islands were granted a measure of self-government over local affairs. Executive power is vested in a popularly elected Governor, who appoints, with the advice and consent of the Legislature, the heads of the executive departments.

5. The Legislature, a unicameral body comprising 15 senators, is elected for a two-year term by a popular vote. The Legislature has the power to enact laws such that they are consistent with federal laws applicable to the Territory and do not impair rights guaranteed by treaties, international agreements, or rights contained in the Organic Act's "Bill of Rights". Under the latter are enumerated, *inter alia*, rights of due process and equal protection, and freedoms of speech, assembly and religion. The Legislature may also issue bonds, levy customs duties (up to 6 per cent) and oversee executive departments. Legislation is subject to approval by the Governor, whose veto can be overridden by two thirds of the Legislature. The United States Congress retains the right to annul any act of the local Legislature. The United States Virgin Islands is represented in the United States Congress by a popularly elected Resident Commissioner who may vote in the committees in which he or she is a member, but not in floor votes.

6. The judicial system includes two courts: the United States Federal District Court of the Virgin Islands, whose judges are appointed by the President of the United States with the advice and consent of its Senate; and the United States Territorial Court of the Virgin Islands, whose judges are appointed by the Governor. The Federal District Court has jurisdiction in civil, criminal and federal actions.

7. There have been five attempts since 1954 to redraft the Constitution to give the Territory greater autonomy. Each draft, however, was rejected by a referendum. In the most recent attempt, in 1993, 80.3 per cent voted to retain the Territory's current status. The result was considered invalid, however, as less than 50 per cent of the electorate voted.

8. The process of transferring ownership of Water Island, off the south shore of St. Thomas, to the United States Virgin Island Government, is ongoing. Decisions regarding the final disposition are pending the outcome of litigation between the master leaseholder and the United States Department of the Interior.

B. Recent elections

9. The governorship of the Territory changed hands from Roy. L. Schneider to Charles W. Turnbull in January 1999, following elections in November 1998. Mr. Turnbull won the election with 58 per cent of the vote against the incumbent, Mr. Schneider, who obtained 40.9 per cent. In his first mandated address on the state of the Territory, the Governor emphasized the precarious nature of the Territory's financial system, indicated that he would reorganize and cut the costs of Government and noted that he would work closely with the private sector to encourage new businesses, promote the growth of existing businesses and increase employment.[2] The Governor had also indicated during his campaign that he would call a convention to revise the current Constitution.[3]

10. Also in January a new legislature was sworn in. The twenty-third Legislature of the Virgin Islands is made up of seven Democrats, two Republicans, two members of the Independent Citizens Movement and four non-party affiliate members.

III. Military installations

11. According to the most recent information provided by the administering Power (see A/AC.109/2014, para. 19), the United States Navy maintains a radar and sonar calibration station and a headquarters building for its underwater tracking facility. There are permanent recruitment centres for the armed forces and a detachment of the United States Coast Guard on St. Thomas. The Virgin Islands National Guard is affiliated with the United States Army. The Territory remained a port of call for United States naval vessels and those of its allies.

IV. Economic conditions

A. General

12. In 1996 the gross territorial product was US$ 1.34 billion, and per capita income was around $12,000. This represents approximately 80 per cent of per capita income in the mainland United States. According to the administering Power, approximately 30 per cent of the population lives below the poverty line.

13. A considerable amount of work has been done to repair damage from two hurricanes, "Hugo" in 1989 and "Marilyn" in 1995. The administering Power reports that these hurricanes caused between $3 billion and $4 billion in damage to homes, businesses, utilities and commercial buildings. These costs continue to cause fiscal and financial problems on the island, despite federal assistance of several hundred million dollars in grants or loans.[3]

B. Public finance

14. According to the incoming Governor, as cited in press reports, the territorial Government bore a long-term debt of approximately $1 billion in addition to other obligations, including $66 million in outstanding vendor payments, $24 million in delayed tax refunds, and $90 million owed to other funds and for unpaid debts of previous years.[4] Service on the long-term debt is expected to cost the Government about $40 million per year for the next 25 years.

15. The local Government's financial situation deteriorated notably in the spring of 1999. The Governor announced on 6 April 1999 that the treasury was $5 million short of the amount needed to pay government salaries, and that, for the first time in the Territory's history, public salaries would not be paid as scheduled.[5]

16. Attempts to redress the poor fiscal situation have been complicated by a reduction in the rebate to the Territory of a federal rum tax. A total of $13.50 is taxed per proof gallon of rum, of which a portion is rebated to the territorial Government. On 1 October 1998, the beginning of the fiscal year, the amount rebated dropped from $11.30 to $10.50 per proof gallon when the United States Congress refused to act on the question. The reduction in the rebate costs the Territory from $6 million to $8 million per year.

17. According to the administering Power, direct federal expenditures in the Territory totalled $625 million in 1997, an increase of 11 per cent over 1995

C. Agriculture, livestock and fisheries

18. Agriculture has played a small part in the Territory's economy since the decline of sugar production in the 1960s. In the 1990 census, only 1.2 per cent of the economically active population was engaged in agriculture or fishing.

19 As a result, the Territory has to import about 90 per cent of its food, at a cost of between $200 million and $300 million per year.[5] Development of agriculture is hindered by high production costs and water scarcity. However, incentives to promote agriculture do exist. In particular, farm land is tax exempt, farm income is taxed at a lower rate than other income and imported farm equipment is 50 per cent exempt from excise taxes.

20. In addition, a number of local and federal programmes provide assistance for agricultural development. Under an agreement with the United States Department of Agriculture, a Rural Development Loan Fund provides direct loans up to $99,500. The Small Business Development Agency provides direct loans of up to $10,000 for licensed farmers and fishermen. The Farmers Home Administration guarantees up to 90 per cent of bank loans for land, equipment, buildings and operating expenses.

D. Industry

21. Manufacturing incentives are provided by a trade regime that confers unique advantages on the United States Virgin Islands. Items assembled in the Territory can be exported duty free into the United States, even if up to 70 per cent of its value consists of foreign dutiable components. Other incentives include 90 per cent exemption from local corporate income taxes for 10 to 15 years for new manufacturers. Goods manufactured for export include watches, textiles, electronics, pharmaceuticals and rum (responsible for 15 per cent of the Territory's export revenue). Over 30 large corporations have set up manufacturing operations in the Territory and industrial parks are under construction.

22. Employment in manufacturing fell to 2,210 in 1997, due primarily to a contraction in the watch assembly industry. Employment in the sector is expected to rise in 1998 as new jobs in petroleum and light manufacturing offset continued declines in the watch industry.

23. The industrial sector is dominated by the Hess Oil Refinery (St. Croix), one of the largest in the Western hemisphere, which employs 2,000 workers. On 30 October 1998 the Hess Oil Corporation formed a 50 per cent joint venture with Petróleos de Venezuela to own and operate the refinery. The new corporate entity was named Hovensa L.L.C. In the two months subsequent to the merger, total crude oil refined was 433,000 barrels per day, compared with 419,000 barrels per day for the previous 10 months, and 411,000 barrels per day in 1997. In 1999, Hovensa will begin construction of a 58,000 barrel per day coker to process Venezuelan crude oil. The coker is expected to be completed in 2001.[6]

24. Negotiations are currently under way regarding the licensing of a commercial rocket construction and launching company on the island. The company, Texas-based Beal Aerospace Technologies, would invest $58 million in the Territory to build its world headquarters and rocket assembly plant. The project has been opposed, however, by some environmental groups.

E. Banking and insurance

25. According to the most recent information provided by the administering Power (see A/AC.109/2076, paras. 12 and 13), as of 1995 deposits in the eight major financial institutions operating in the Territory (Banco Popular, Bank of St. Croix, Chase Manhattan, Citibank, First Bank P.R., First VI Federal Saving Bank, Bank of Nova Scotia and VI Community Bank) exceeded $1.2 billion. Time deposits, primarily in non-United States banks, represented 25 per cent of the total. The banks offer a full range of personal and corporate financial services. All banks are regulated by the territorial Banking Board headed by the Lieutenant Governor. United States banks operating in the Territory are also regulated and insured by United States law and institutions.

26. All types of insurance are available through insurance agents who represent major international insurance companies. The insurance industry is regulated by the Lieutenant Governor who serves as Insurance Commissioner.

F. Trade

27. The Territory is exempt from the Jones Act, which requires that freight moving between United States ports be carried by United States-flagged ships. The island benefits from other favourable trade concessions (see para. 20 above) as part of its relationship with the administering Power.

28. Nonetheless, the Territory generally runs at a trade deficit, owing to its heavy reliance on imported goods, most of which come from the mainland United States. In 1995, the Territory imported $3,300 million worth of goods, and exported $3,036 million, according to publicly available Department of Interior figures.

29. Furthermore, there are indications that trade has been affected by recent policies undertaken by the administering Power. According to press reports, local businessmen say that tariff concessions made as a result of signing the North American Free Trade Agreement and joining the World Trade Organization have erased the price advantage the United States Virgin Islands used to have as a free port.

G. Tourism

30. The tourism sector accounts for more than 60 per cent of the gross territorial product and employs around two thirds of the workforce. According to press reports,[7] annual cruise arrivals increased by 50 per cent in the past 10 years, reaching 1.6 million, which represents a record for the Territory. At the same time, overall tourism income fell from $901.7 million in 1993 to $601.2 million in 1997. These figures suggest that people that arrive on the islands by cruise ship do not spend much money on the island itself. Cruise ship passengers represent 80 per cent of all visitors,

yet provide only 25 per cent of total tourism revenue. Hotel occupancy increased by 17 per cent in 1997.

31. Air passenger traffic declined by approximately 25 per cent in 1996, but increased by 10 per cent in 1997. The island of St. Thomas lost an estimated $2 million as a result of a 10-day strike by American Airlines pilots in 1998. The strike by the airline, which operates most of the flights to the island, coincided with an important holiday weekend.

32. A Tourism Development Trust Fund has been created and will provide about $20 million for investments in gaming hotels. It is also expected to provide capital for malls, golf courses and trans-shipment facilities. The charter yacht industry earned $30 million in 1995. Industry experts maintain that there is a potential for earnings of $120 million. Experts also point to a large potential market in provisioning cruise ships, where the Territory has a particular advantage, since ships do not have to pay longshoreman charges there (in 1995, the industry spent $77 million on Caribbean-supplied consumer goods).

H. Transportation, communication and basic facilities

33. The Territory has five major docking facilities. South Shore (St. Croix) is located near the St. Croix airport and industrial park, and handles lift-on/lift-off and roll-on/roll-off vessels. Gallows Bay (St. Croix) has a combined berthing space of 700 feet and a small roll-on/roll-off ramp. Frederiksted's (St. Croix) 5,216-foot port can berth two large cruise ships and two mini-cruise ships simultaneously and can accommodate naval submarines. Crown Bay (St. Thomas) has three cruise ship docks operated by the Virgin Island Port Authority, a semi-autonomous government agency, as well as a 900-foot wharf which can accommodate roll-on/roll-off cargo and container and break bulk operations. The West Indian Company bulkhead pier (St. Thomas) is privately operated, primarily for cruise ships. In September 1998, a new $9 million molasses tanker pier was dedicated on the south shore of St. Croix. The facility can accommodate two long vessels simultaneously.

34. Two international airports, Cyril E. King Airport on St. Thomas and Alexander Hamilton Airport on St. Croix, are operated by the Port Authority. They have a combined annual passenger traffic count of over 2 million. According to the administering Power, plans are under way to renovate and expand the terminal facility at Alexander Hamilton Airport.

35. Electricity is thermally generated using imported fuels. The Water and Power Authority serves approximately 47,000 customers. Major generating facilities are located on St. Thomas and St. Croix, and a standby facility is located on St. John. Transmission and distribution of power is typically 13,800 volts, 3 phase, 60 hertz throughout the Territory.

36. Owing to limited freshwater supplies, salt water is used extensively for non-domestic purposes, including firefighting and sewerage. The Water and Power Authority desalinates water and collects rainwater for domestic use. A desalination plant on St. Thomas produces 4.45 million gallons per day. Wells, particularly on St. Croix, supply the remainder of the freshwater necessary. Owing to the high cost of water, average daily consumption is about 50 gallons per person per day, about one third the United States average.

37. In August 1998 ground was broken for the construction of a new $5.5 million waste water plant on the island of St. John.[8] In addition, the board of the Water and Power Authority approved a $507,000 project to replace old, corroded pipes in Christiansted with new polyvinyl chloride (PVC) pipes.

V. Social conditions

A. Labour

38. According to information provided by the administering Power, the labour market improved slightly in 1997, as employment increased by 9 per cent to 43,453. The unemployment rate declined from 5.3 per cent in 1996 to 4.9 per cent in 1997.

39. The largest employer in the Territory remains the Government, accounting for 12,900 employees, about 12 per cent of the total population of the island. A large number of other employees are paid under government contracts and federal government grants. In 1997, the federal and local Governments combined accounted for 13,800 jobs, approximately one third of all civilian employment in the Territory. Public-sector employment was expected to remain at the same level in 1998.

40. The Territory has an insurance programme for the unemployed. Paying into the programme are 3,400 federal, local and private employers. The money is deposited into the United States Treasury at the federal level. Private employers paid $8.7 million in 1996 and $7.7 million in 1997. In 1996, 11,000 claimants received $11.5 million in

benefits and in 1997, 7,300 claimants received $6.7 million in benefits. An external federal audit by a United States Inspector General in 1999 found $18.7 million in unrealized revenues and $408,200 in unsupported costs.[9]

41. Employers must follow federal and territorial labour laws, such as minimum wage and hours, standards of safety and occupational health, and payment of social security and unemployment insurance.

B. Public health

42. The hospital in St. Thomas offers general service and has 157 beds. The hospital in St. Croix has 120 beds. There is also a 16-bed private hospital in St. Croix. Overall responsibility for the hospitals is held by the Department of Health.

43. In 1999, for the first time, the Territory was the recipient of federal Department of Health and Human Services grants to improve access to human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) support services and medication. The Territory received $624,935 in such grants. There have been a total of 377 AIDS cases reported in the Territory, and 199 known deaths to date. The number of new cases reported in 1998 was 30, down from 74 in 1997.[10]

C. Crime and crime prevention

44. The police force is administered by the Virgin Islands Government Department of Police. An Adult Correctional Facility is located on St. Croix. By United States standards, the United States Virgin Islands has one of the highest per capita murder rates.

45. A United States federal court has ordered the local Government to relieve overcrowding at local prisons. The current prison population in the Territory is 308. In addition, 192 inmates are incarcerated in off-island prisons to reduce overcrowding. A government plan to expand one of the Territory's prisons has been delayed owing to a lawsuit by one of the potential contractors. A local judge eventually ruled that there had been a substantial violation of local laws in the contract award.[11]

46. The United States Virgin Islands, along with Puerto Rico, was designated a High Intensity Drug Trafficking Area (HIDTA) by the Office of National Drug Control Policy in 1994. HIDTAs are recognized major drug trans-shipment points between South America and the United States. Since 1994, the two Territories have been receiving approximately $9 million combined in extra funding to reduce the flow of drugs.

D. Educational conditions

47. Education is compulsory and free for all children between 5 and a half and 16 years of age. The Government's Department of Education administers 32 schools on St. Thomas, 14 on St. Croix and 2 on St. John. According to the administering Power, maintenance of the physical facilities is poor and vandalism is a constant problem.

48. School enrolment has been steadily declining since its peak in 1983 at 33,092 students. By 1997 it had fallen 15 per cent to 28,303, of which about 6,600 attend private schools.

49. Accreditation of local schools by the Middle States Association was extended until 1 May 2001. The Association noted that the extension of accreditation was in part due to a renewed commitment on the part of the local Government towards the school system. The Government recently announced that $500,000 has been set aside for substitute teachers and site-based school management.[12]

50. The University of the Virgin Islands has campuses on St. Thomas and St. Croix and provides courses in business administration, the humanities, social sciences and teacher education, and occupational courses in accounting, business management, secretarial administration, nursing, police science and administration.

E. Human rights

51. More than 3,000 Black farmers from the United States Virgin Islands submitted a class action lawsuit against the United States Department of Agriculture in 1997, alleging that it discriminated against Black farmers in its disbursement of loans. In January 1999, the United States Department of Agriculture settled the suit in favour of the farmers, agreeing to provide monetary compensation.[13]

52. In January 1999, a local company, HAP Construction Company, sued the Army Corps of Engineers, the Defense Department and the Federal Emergency Management Agency, alleging racial discrimination in the award of a contract to clear debris left by hurricane "Marilyn". The case is still pending. The Corps of Engineers has lost at least two racial discrimination suits in the last two years.[13]

VI. Future political status of the Territory

53. No significant action on the political status of the Territory has been taken since a referendum was held in 1993. In that ballot, 80.3 per cent of voters supported the existing status, 14.2 per cent voted for full integration with the United States, and 4.8 per cent voted for an end to United States sovereignty. Only 27.4 per cent of registered voters voted on the question, while the requirement for the referendum to be considered valid was 50 per cent.

A. Position of the territorial Government

54. At the fifty-third session of the General Assembly, the Minister of State, Representative for External Affairs, of the United States Virgin Islands made a statement before the Fourth Committee.[14] The representative noted that independence was not the only legitimate political option for Non-Self-Governing Territories, but if other political alternatives were to be recognized as legitimate, they needed to provide a minimum level of political equality. Dependency models that provided partial equality, or the illusion of equality, did not conform to the parameters set by the General Assembly even if they were efforts made in good faith. He noted that it was evident that none of the Territories currently considered non-self-governing by the Assembly had met the criteria of full self-government. He argued that the Assembly must ensure that the decolonization process not expire through the re-definition of the current arrangements as self-governing, without the people concerned having achieved full political equality in whatever political arrangement they freely choose.

B. Position of the administering Power

55. In a statement made to the Fourth Committee during the fifty-third session of the General Assembly,[15] a representative of the United States said that his country fully supported the right of people in Non-Self-Governing Territories to a full measure of independence, but noted that there was no single standard of decolonization. In particular, he did not think that residents of a Territory should have to choose one of three possible changes in status if they were happy with their current status. He also said that the people of a majority of the Territories under consideration no longer consider the activities of foreign economic interests or the presence of military installations on their Territory to be detrimental to their interests. He considered that the majority of the Territories on the list were actually self-governing and should be removed from the list.

C. Action by the General Assembly

56. On 3 December 1998, the General Assembly adopted, without a vote, resolution 53/67 B, section XI of which concerns the United States Virgin Islands. In the resolution, the Assembly, *inter alia*, requested the administering Power (a) to bear in mind the views of the people of the Territory and keep the Secretary-General informed of the wishes and aspirations of the people regarding their future political status; (b) to continue to assist the territorial Government in achieving its political, economic and social goals; and (c) to facilitate the participation of the Territory, as appropriate, in various organizations, in particular the Organization of Eastern Caribbean States and the Caribbean Community.

Notes

[1] The information contained in the present working paper was derived from information transmitted to the Secretary-General by the Government of the United States of America as well as from published sources.

[2] *Overseas Territories Review*, February 1999.

[3] *Virgin Islands Daily News*, 9 January 1999.

[4] *Virgin Islands Daily News*, 7 April 1999.

[5] Ibid., 19 January 1999.

[6] Ibid., 8 March 1999 and 25 July 1998.

[7] *Overseas Territories Review*, August 1998.

[8] *Virgin Islands Daily News*, 28 January 1998.

[9] Ibid., 12 February 1999.

[10] Ibid., 17 February 1999.

[11] Ibid., 10 March 1999.

[12] Ibid., 6 January 1999.

[13] Ibid., 9 January 1999.

[14] A/C.4/53/SR.4.

[15] A/C.4/53/SR.5.